98-84349-21

Wright, Benjamin Hall

National finance

Rome, N.Y.

1878

98-84349-21
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

General Library
332.4
Z
v.19

Wright, Benjamin Hall, 1801-1881.
National finance. Resumption made easy. Furnishing the best paper currency in the world. Rome, N. Y., Beers & Kessinger, printers, 1878.
20 p. 23 cm.

No. 11 of a vol. of pamphlets.

Signed: B. H. Wright.

1. Currency question--United States.
I. Title.

uc-main
A000500
irw n

820608
/GD

820608 NNC
82-B22323
07-9110 ONLY FID

RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2/27/98 INITIALS: F.C.

TRACKING # : 31693

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

P42
.91

L. C. Tract No. 11

1-1
332.4
2
v.19

NATIONAL FINANCE.

RESUMPTION MADE EASY.

FURNISHING THE BEST PAPER CURRENCY IN THE WORLD.

ROME, N. Y.:
BEERS & KESSINGER, PRINTERS, SENTINEL OFFICE.
1878.

LIBRARY OF
THE REFORM CLUB
SOUND CURRENCY COMMITTEE,
52 William St., New York.

NATIONAL FINANCE.

RESUMPTION MADE EASY.

[H. W. Wright]

FURNISHING THE BEST PAPER CURRENCY IN THE WORLD.

ROME, N. Y.:
BEERS & KESSINGER, PRINTERS, SENTINEL OFFICE.
1878.

NATIONAL FINANCE.

This country needs now, imperatively, the concentration of opinion upon the wisest, which embraces the most permanent plan of National Finance. The writer adopts as established and incontrovertible premises:

First, that the people, until a change of sentiment, not to be looked for at present, will not accept coin as an exclusive medium for the transaction of business, or even a partial one, that is, a mixed currency for the purpose of domestic transactions. They insist, however, that the substitute shall be a bona-fide representative of money, and to make it so shall be convertible into the principal, at the option of the holder.

Second, that it is the duty, expressed and implied, of the national government to furnish the circulating medium, if not coin, then its admitted substitute, to a sufficient extent independent of the issues of the national banks, their notes being under the control of those who may withdraw them at any moment they choose, as instanced in the case of one bank in the city of New York, that has withdrawn $700,000 of its circulation, and is preparing to withdraw $1,000,000 more. Hence the notes issued by the national government should be the principal dependence, being permanent in character. Neither are interest-paying obligations. The people are willing to receive the promissory notes of the government without interest—it is they themselves who are the debtors. Not so with the banks. These are private institutions, and the circulation inures to the benefit of the individual owners of the banks. The use of their notes as an additional medium for the exchange of commodities, is tacitly regarded as an equivalent, and will be to a reasonable extent. There are other recognized benefits arising from the existence of banks, and among these a ready resource for business men, and the facilitating of exchanges with distant points.

The promissory notes of the national banks are secured by the bonds of the government, so that no apprehension need exist in respect to any call upon the banks for the redemption of their notes, excepting for very limited sums. The notes issued by the national banks do, and will constitute a considerable part of the currency. Reflecting men will doubtless coincide in the opinion that in a well regulated system of national finance, the issues of the government should be of sufficient amount to exercise a proper influence. In any measure of convertibility they should be the main recourse, that is, form mostly the basis of foreign transactions. To depart from this position will prove a very great error. In treating the subject of national finance, we shall regard the national banks as simply auxiliary, their number, and extent of their issues, being governed by private and local interests, and subject to contingencies; and accordingly confine our subsequent remarks to the currency furnished by the government.

The first question then is, what should be the amount of the currency provided by the general government? There are those who call themselves financiers, who insist that this should be regulated by a per-capita ratio of population. It is true that the increase of population is an absorbent of currency—there are more to use it. But there are other factors, variable and indeterminate. These are the great extent of our national domain, withdrawing a large amount in-transitu, and the ever extending area of our industrial pursuits. Our people are characteristically active, and employ a much greater proportion of currency than any other nation. Gold will be rejected for domestic purposes; so it will be readily seen that the supply of currency for local traffic is in reality the first consideration, and independent of any ratio of gold. The excess of currency, however, beyond legitimate wants, engenders extravagance; indulgence in foreign products or luxuries; a mania for speculation; together with corruption throughout the body politic. These evils our legislators, guided by patriotism, should endeavor prudently to avert, or, if existing, endeavor gradually to check; carefully avoiding interference, if causes are in operation that will remove them without interference in a reasonable period.

The writer fearlessly challenges any one to determine previously what the amount of the currency should be. It can only be determined *pari passu* and not *a priori*. If the government were just now making provision for a paper currency, it would be an easy matter gradually to enlarge the issue to meet the necessities of the country in its advance in population and legitimate enterprise. Unfortunately these are not the circumstances. The nation has been forced to incur an enormous debt, and to provide for it, has issued a profuse amount of national obligations in the form of bonds and promissory notes. This abundance has been availed of by its citizens, so that the boasted material prosperity of the country is represented by a *quasi* mortgage upon all the real and personal estate in the land. The bonds are interest-paying obligations. The principal may be deferred so long as the credit of the government is maintained; but the interest must be paid, and this is a heavy burden upon the industry of the country. Common prudence dictates that the payment of the non-interest paying obligations should not be unduly hastened, nor a substitution of bonds be adopted, for the latter cannot be made to take the place of the notes in general circulation.

There is another class that are misleading the community, and these are the foreign and native preachers upon the doctrine of Finance. They present theories that may be fully applicable to some limited sovereignty, but not to an extended one such as this, with the habits of the people and aggregate of their business. For existing evils, come from what cause they may, they urge contraction, in order to superinduce a mixed currency, upon the ordinary principle of supply and demand; so as to bring up, as it were, something that has no intrinsic value to an equality with one that has. This abstract theory carried to its logical sequence, should lead to a time when an individual not wishing to transport gold, might find it necessary to pay a premium for the paper currency, were it not for the system of exchanges in vogue. Thoughtful men will find no difficulty in foreseeing the real result. The theory presupposes the two species of currency brought to an equilibrium. It cannot be maintained The fluctuations of trade would constantly disturb the balance, and gold, having an intrinsic value,

would, in such circumstances, always command a premium. A system of finance is practicable that will do away with this. Let it be understood that theories are general principles, and require modification to adapt them to local circumstances. Theory was the cause of immense sacrifice during the war, owing to the lack of intuitive ability to meet the ever changing conditions.

Again: Great and lasting injury is caused to the business community by forced contractions of the currency, even in prosperous times. Consult the commercial statistics, and it will invariably be found, that failures follow every contraction of the currency. For example, such a failure as that of Jay Cooke & Co., and the consequent panic, may have its origin in just such cause. That firm was, by position, near the operations of the treasury, where they could avail themselves of their credit, with the recipients of the public funds. They were engaged in non-productive enterprises, and were the first to feel the shortened resources caused by the previous contractions directed by the Secretary of the Treasury. Effects may sometimes be remote from their causes, and nevertheless the latter be potent. Their failure was inevitable. The fall of a house of that repute, contracted marginal credits in New York city, and created the panic; paralyzing industry over the whole country. The like effect is now taking place, but from combined causes; treasury and other contractions of the currency; impaired credits resulting therefrom, restraining capital; and overproduction, although this is a relative term, the first cause being a want of ability to purchase. For example, a person may have regularly purchased two suits of apparel, where now he can purchase only one. It was not from overproduction; that simply made the same provision as before, but the ability to purchase is taken away by this derangement of the finances of the country. At such a period as the present, contraction measures are ill-timed. The true policy is, first to restore confidence through a wise and stable system of finance. And since any change creates more or less disturbance in the financial world, the amount of the government currency should be maintained, at least while the change is in progress, for the abundance, *if available*, counteracts a too rapid shrinkage of values. The writer has observed, that there has been no allusion in Congress to the fact, that in addition to the forces already mentioned, constantly operating to take up any existing excess of currency, the Southern portion of the Union is without its due proportion. This has been strangely overlooked.

Temperate criticism upon the acts of public functionaries, is at all times salutary. If well founded, the individual or body against whom it is directed, acquires knowledge to guide him or them in the future, in like cases. If, on the contrary, the criticism is unjust, they rise in public estimation "like unto gold tried in the fire." The acts of Congress in their bearing upon the public weal, are just objects of public censure or approbation by every citizen. The writer, in the expression of his own opinion, knows no interest or party but that of the whole country.

Prior to the recent law of Congress authorizing free banking, it was not unfrequent for some member from the west or south, to claim a new distribution of bank privileges, styled an "equalization of currency," alleging the want of more currency in their localities. The writer does not know of any way to create local currency, except through local enterprises, or else that it is sent there for the special purpurpose of banking. Legislation does not send money to portions of country where it is lacking. It goes there by the ordinary laws of trade. In periods of abundance it flows there, and higher prices are obtained for the products, so that more remains there permanently. Any expectation, therefore, in regard to an increase of currency, directly and solely by the establishment of a bank, must prove fallacious. Let us follow the process in the establishment of a bank in circumstances now existing. A number of individuals associate and collect or furnish the currency to be sent to New York to purchase United States bonds, say at 15 per cent. premium. These bonds are taken to the United States Treasury Department and currency *less ten per cent.* received in exchange. One not knowing the routine, might ask for information, how much the currency had been increased in that locality? If the framers of the law authorizing free banking are financiers, as they should be, they must have foreseen that the measure would be inope-

rative in present circumstances, except in some places where there is a special object.

Previous to presenting a plan for the resumption of specie payments, or more correctly the conversion of the promissory notes into the standard, it may be well to give a summary of the writer's opinions as set forth in the preceding paragraphs, together with any other thoughts that may occur. The repetition will serve to impress prominent principles upon the mind.

First, that a government circulating medium is an essential part of a well regulated national system of finance, besides permanent in its character, not being subject to the contingencies to which the issues of the bank are liable.

Second, that the amount of the authorized maximum issue should be that which the increase of population and extension of industry may successively require in the course of a few years, so that holders of the notes in the country or abroad, may know the limit of issue, which cannot be exceeded without consent of the people. If it was a new currency, the notes would be put in circulation at intervals, as Congress would direct. Governed by existing circumstances, we propose that such portions of the promissory notes as are now held as reserve, be so held, and released from time to time, corresponding with the legitimate wants of the country.

The authorized issue of promissory notes prior to the last session of Congress, was $400,000,000. The amount then afloat as reserve, or in circulation, was 382 millions. We are in favor of provisionally extending it again to 400 millions;* that is, leaving eighteen millions in the treasury to meet any emergency, in the event of another panic, or short resources. It is proper and right that the responsible head of the finances should have some freedom of action.

Third, the substitution of bonds in place of the promissory notes is condemned, because it wrongfully increases the bond debt, and adds to the burthen of interest now bearing heavily upon the community. It is, moreover,

*The plan and this portion of the remarks were prepared in 1874.

anti-republican; certain to concentrate capital in the hands of those who will retain it for longer or shorter periods, to the prejudice of the working classes.

Fourth, the writer emphatically condemns forced or direct measures of contraction; injurious even in prosperous times, but, in such as the present, are conducing to the disaster of business men, which in the end is certain to reach the national treasury. This policy, arbitrarily imposed by a former secretary of the treasury; adopted again at the last session of Congress, after stern necessity had compelled the head of the treasury to retrace his steps to save the credit of the government; acting on the *supposition* of an excess, owing, no one knows how much, to the concentration of capital in the hands of the few, in the commercial cities chiefly, who have meanwhile created an erroneous impression of a superabundance, by loaning it at a small gain whilst awaiting the action of Congress; and business men throughout the land suffering more and more. A careful survey of the country outside of the commercial cities, will not serve to convince any one of the existence of an injurious excess. If the views of the writer are correct, the laws enacted by the last Congress are prejudicial in their operation, and should be repealed, with the exception, perhaps, of that releasing the legal tender reserves, which instead of repeal may be modified so as to result in a local benefit, by insuring, so far, a local currency. It does not comport with the views of the writer, after the notes have been thrown out, to call at present for their return.

The Secretary of the Treasury, in his attempt to ward off censure for the persistence in his policy of contraction, presents the argument that the injurious effects are more than counterbalanced by the establishment of new banks, and a larger issue of notes. Against the new organizations are to be offset the discontinuance of old ones, or withdrawal of their notes. If a real financier, and head of the national finances, he himself should discover the fallacy of his argument. Any benefit at all is local, for the obvious reason that a bank, properly managed, draws about itself at least as much as it puts out; and on the first sign of danger promotes stringency. But touch the government issue in the way of contraction, and a spring is touched the

vibrations of which reach sooner or later to the extremes of the Union. The concentration of capital, unavailable to business men needing credit, is in effect contraction; and it dictates to a paternal government all the liberality possible on its part, to counteract the effects, instead of adding to the distress. If contraction is ever deemed expedient, let it be opportune. I do not advocate any disturbance of the banking system at present; it would be unwise. In any circumstances the government issues, not being subject to curtailment in periods of stringency, possess a marked advantage.

With the foregoing observations, the way is opened to present a plan for the conversion of the promissory notes of both—the national banks as well as those of the government—a measure demanded by the people, restive under the disgrace suffered so long to exist, in the non-fulfillment of the solemn pledges of the government; the latter and the banks imposing upon the community that which they would not accept from individuals.

The difficulties or danger attending an early resumption of specie payments have been greatly exaggerated. This is attributable to not taking a plain practical view of the question. On what does the whole indebtedness of the nation rest, except upon the good will of the people? For no one can for a moment suppose that the debt is collectable by any coercive measures? The people indicate that they do not want the gold for domestic transactions, and will not receive it except to a very limited amount. The implied understanding is so well defined, that it is tantamount to a written agreement—the benefits are reciprocal. These are views supported by experience. The banking system of the State of New York, for a considerable part of a century, rested on a mere modicum of specie, and, notwithstanding, the entire issue of notes was payable on demand. So will it be with the government promissory notes. All that is necessary is, to supply the actual domestic *demand* and that for foreign transactions. Certainly every sensible man can see that this embraces the whole problem as to an early return to specie payments. The domestic demand is of no account, a limited provision will cover that. The demand for foreign use is to be supplied, but gives no cause for the least apprehension; for who has not observed that

the floating gold has for years covered this without any dependence upon the promissory notes of the government? Some may say that the gold has been retained here by the premium it has commanded. Let us wait and see the result when the government ceases to depreciate its own notes. To provide for a return to specie payments requires a *special fund* and that fund sufficiently large to meet any possible demand, as likewise to cover the time taken up in exchanges.

From whence and where, that is at what points, is the demand for gold? The demand, it has already been remarked, is elsewhere very slight, the principal demand being at the gates of commerce; in other words, in the commercial cities of the Union. It is the duty of the general government to simplify the monetary operations of the nation, and, therefore, at those points should be the provision of the special fund. Inestimable benefit will accrue from this branch of the National Exchequer. It will serve as a financial barometer, or indicator, day by day, of the financial condition of the nation, with respect to its foreign trade, or gold extracted for use abroad. An ample amount for the purpose of the special fund, will be stated in the plan alluded to, herewith presented. It fulfils all requisites for the resumption of specie payments. It is given in the form of a series of enactments, so as to prevent any misconception, and that every citizen can readily understand its provisions. These should quiet the apprehension of the timid, for they exact no violent change; on the contrary, are so designed that the business men of the country who are most intimately concerned, can note the progress toward the object. Any objections to this plan, it is confidently believed, will arise from misconception, which explanation will readily remove, and will be cheerfully furnished on request.

It should be understood, that this plan was drawn up immediately after the publication of the report of the condition of the national banks, on the 27th day of February, 1874. The author of it regards it as unfortunate that the plan was not adopted, inasmuch as the latter would have prevented the return of bonds from Europe, and, to that extent, the extraction of gold, which has been stimulated

by the high price of bonds. At the date mentioned, viz: February, 1874, the amount of U. S. bonds to secure the notes issued to the banks, was $389,614,700. Ninety per cent. of this should represent the aggregate of value of national bank notes delivered to the banks, being $350,653,230. Ten per cent. of this would therefore be $35,065,323. By the same report it will be seen, that the banks collectively held an aggregate of specie amounting to $33,365,863 58. This, it was well known, was chiefly concentrated in the banks located in the commercial cities, whilst the country banks held but a very small amount. The design of section first, was, through the instrumentality of the Secretary of the Treasury, to obtain any excess held by any bank in deposit, not needed to meet the demands of trade, giving in return convertible notes of the government. It should be the disposition to provide every reasonable precaution against any embarrassment to trade, arising from resumption measures; so that when a bank finds itself short of resources in gold, and holding convertible notes, the latter may be substituted for equal amount of its reserved specie fund, until its other resources are again replenished. It is reasonably supposed, that banks holding an excess, will readily co-operate, although under no obligation to part with the specie. They will do this rather than expose themselves to a much greater demand on the resumption of specie payments.

A moment of reflection must satisfy every one that the banks must be in position to resume, previous to a declaration of general resumption; and even if some unforeseen contingency should interrupt the measures when they had proceeded no farther than a reserve of five per cent., it will be a source of great satisfaction to every patriot to look over the land, and find every bank practically on a specie paying basis. The second distribution is less easy of accomplishment now, than when the plan was drawn, on account of a reduced supply of gold. Notwithstanding this, the plan should be put in operation with the purpose of working back into the same circumstances. With a full supply of gold it is desirable to have our own citizens the possessors of the government bonds; but the time and circumstances should classify the recent transactions as an unhealthy state of things.

Section second provides for making up the amount of the special fund pertaining to the government. By reference to the stated reports of the Secretary of the Treasury, it will be seen that he aims to keep a regular surplus of fifty millions in gold in the treasury. This would be equally well when constituting a part of the special fund; for although not directly available for any other purpose than the redemption of the promissory notes, the amount would stand there prominently as such an amount of assets for the payment of the debts of the government, and contribute more to its credit, than if in the treasury proper without restriction. It is very much to be regretted that injudicious measures on the part of Congress, through contraction measures, and an ill-timed substitution of silver for fractional notes, has impaired the ability of the treasury. As a matter of economy, the saving of interest has been overlooked. The greatest injury is, that the amount used for this was not applied first to the conversion of the large notes. The next fifty millions will present more difficulty, and exhibit the financial ability of the secretary of the treasury. It should be noticed that the aim was, to make the obligations given—as the sum must unavoidably be borrowed—for as short a period as possible, that they may soon be wiped out of existence. These bonds or notes should be redeemable at the option of the government, any time after the expiration of one year. The Secretary would call for such amounts from time to time as the financial condition of the country and the disposition manifested by foreign capitalists might dictate. The setting apart of the remaining thirty-three and one-third millions is designedly left to the discretion of the head of the treasury. It may reasonably be expected that with the adjustment of the finances, the resources of the treasury will increase, and permit this appropriation at an early date.

Section third needs no explanation.

Section fourth implies that no draft is to be made on the treasury to carry into effect the exchange authorized in section 1st. It is to be done by means of legal tenders, so called, made convertible.

Section fifth needs no explanation; trade is not to be embarrassed by the measures.

Section sixth prescribes a maximum limit to the issue. As before remarked, the fractional currency cannot be withdrawn without being paid, or what is equivalent, involving the cost of bullion. This section, by implication, will authorize, in case of necessity, the issue of sufficient amount of large bills to make the purchase. It will add nothing to the volume of paper afloat, being simply a substitution of the larger denomination for the small. It is true the specie will constitute part of the currency, but at that period the addition may be needed. It will be left to the judgment of the Secretary. He will be obliged to increase the special fund, and will not do so unless convenient. It was unwise, for other considerations, to make the substitution in the case of fractional currency until the large denominations were converted.

Section seventh may be modified to meet the change that has taken place.

Section eighth is simply designed to concentrate gold, so as to bring the ownership more directly to the knowledge of the Secretary.

Some timid individuals may indulge in apprehension that the special fund may be exhausted, through a combination of unprincipled men, to the discredit of the nation! Is there danger of any such demand? None, whatever. If it were possible, no individual or combination dare attempt it. The apprehension arises from not taking a comprehensive view of the circumstances. The notes will be distributed ovér a great extent of country, in the hands of individuals, and largely in deposit in the banks, whose interests lie in protecting the credit of the notes. To obtain these notes, even from individuals, exacts an equivalent given in exchange. It will be impracticable, utterly so, to gather a sufficient amount to seriously impair the fund, and so the motive will be wanting. In connection with this, attention should be more particularly drawn to the provision that is to change the notes into convertible ones only as they enter and pass through the treasury in ordinary receipts and disbursements. A considerable portion will in ordinary course go to a distance and enter into circulation, thus preventing

any embarrassment to the redemption office in the early stage of its operations, before the latter are perfectly systematized.

No date is assigned in the plan for resumption to begin. If it were practicable to make the necessary previous provision at once, the writer can foresee no serious injury that would arise from immediate resumption; always on the assumption that the existing volume of currency is not to be disturbed by forced measures. The only danger to be met would be the stimulent to indulge in foreign products, to which the legitimate check must be applied sufficiently to maintain the equilibrium. The shrinkage of values would then be gradual, with a diminished supply and more demand. In deference to the apprehension on the part of a large portion of the community, the time when, has been left to be governed by circumstances. The last provision of thirty-three and one-third millions for the special fund, is, therefore, under the proposed plan, the key to resumption; and the provision, it is repeated, is left to the discretion of the Secretary of the Treasury, or may be expedited by Congress. If left to the action of the Secretary, every one can see when the time is approximating, for the accumulation of the special fund will furnish an unmistakable index. After the fund is fully provided, the excess, which is certain to arise from exports of the products of the country, will indicate just how far the people of this country can indulge in foreign products or foreign travel.

The plan is presented in the unwavering conviction that it furnishes a full solution of the problem of resumption of specie payments; and, if adopted, will furnish the best paper currency in the world. It concentrates the coin, analagous to the practice of every civilized nation with any pretension to a financial standing.

In a hasty review of what has been said, it is observed, that no allusion has been made to an objection sometimes heard from unreflecting men, to the purport that the plan would lock up, as they term it, a considerable amount from general use. If it were so, it would be more than compensated. But it is performing its duty now while lying idle. Abstractly, it is a provision of equal amount for the ultimate payment of the notes, and not used at all, is only equiva-

lent to paying interest, so far as the nation is concerned, on one-third of the government issues. This class of money is not in general use. Almost the entire amount has been lying idle in the banks and in the treasury, and no one utters a word of complaint. The nation is no more than an aggregation of individuals, and the same principles govern the management of its finances, as in the case of an individual. The redemption fund is so much of assets for an imaginary liquidation, and every one knows that a large balance in bank to the credit of an individual sustains his public credit, and so it is to be expected as a result that loans can be obtained at a reduced rate of interest.

B. H. WRIGHT.

The following table, copied from the Mercantile Agency Reports, shows that the number of business failures has kept pace with contraction:

	Currency.	Failures. Northern States.
1859,	Perturbation,	2,959
1860,	"	2,783
1861,	Contraction,	5,935
1862,	Expansion,	1,652
1863,	"	495
1864,	"	520
1865,	"	530
1866,	"	632
1867,	Contraction,	2,386
1868,	"	2,197
1869,	"	2,411
1870,	"	3,170
1871,	"	2,393
1872,	"	3,270
1873,	"	4,259
1877,	"	8,872

To the Honorable, the Senate and House of Representatives of the United States, in Congress assembled:

The undersigned respectfully requests your honorable body to adopt the following measures for the early resumption of specie payments:

AN ACT

To provide for the early resumption of specie payments:

SEC. 1. The Secretary of the Treasury is hereby authorized to exchange coin for legal tenders, so-called, with each of the existing National Banks not now having the coin or a portion thereof, and in the latter case the deficiency only, to the amount of ten per cent. of the aggregate value of its notes received from the treasurer of the United States. The aforesaid exchange will be carried into effect without unnecessary delay, to the extent of one-half thereof, and the corresponding amount of coin will be held subject to the order of the respective banks, to be conveyed to the vaults of the latter in such way as they may adopt. When thus deposited, or, as the case may be, placed in reserve, it will be held as a special fund, and inviolable for any other purpose than to redeem the bills of the corresponding bank at its own counter. Any deficiency created by such redemption shall be made good without delay, and the fund reported unimpaired to the Secretary of the Treasury in the next stated report. On formal notice that the deposit has been made, the Secretary of the Treasury may deliver to the bank one-half the amount of its bonds held now as a reserve in the treasury. The remaining five per cent. when received shall be retained by the treasury, and the coin is to be associated with a similar fund to be provided by the government of the United States, as hereinafter prescribed, subject only to demands made at the Redemption office of the United States for the conversion of the bills of the National Bank to which the fund belongs. Any deficiency so accruing shall be made good at the expense of the bank. When the aforesaid exchange shall be completed, the Secretary of the Treasury is authorized to deliver to the banks the remainder of the reserve in bonds held in the treasury.

SEC. 2. The Secretary of the Treasury will provide a special fund in coin, except, if more convenient, one-half may be in bullion, equal in amount to one-third of the issue of legal tenders, so-called, which issue is hereby raised to the before authorized amount * of four hundred millions of dollars. The amount of coin so required, shall be made up in manner following, that is to say: From any surplus now held in reserve by the Secretary of the Treasury, appropriating therefrom not less than fifty millions; and in order to provide for fifty millions more he is authorized to issue bonds or notes redeemable at the option of the government after one year, with interest payable quarterly, to be sold at par, in exchange for gold. The remaining thirty-three and one-third millions will be provided from any surplus in the treasury, from time to time, as may be convenient or expedient, unless Congress shall deem it wise to take more rapid measures.

* At the period when this plan was drawn amounting to $382,000,000.

SEC. 3. The special fund belonging to the United States, in like manner, as before ordained, with respect to the National Banks, shall be held inviolable for any other purpose than to redeem the paper currency of the United States, made payable on demand, when presented at the office of redemption in the sub-treasury, in the city of New York, or any of its branches in other cities. The coin thus extracted shall be replaced from any coin belonging to the United States in its treasury, in exchange for the currency so received by the office of redemption.

SEC. 4. The Secretary of the Treasury shall give thirty days notice of the opening of the principal office and its branches for the redemption of the paper currency, when demanded, that is to say, the promissory notes called legal tenders, made payable on demand; and after the date so designated, all bills passing through the treasury in regular disbursement, until provision for a new issue shall be stamped *on demand.* Provided, however, that any bills used for the purpose of exchange with banks having an excess of specie, may be stamped prior to the day so named, as aforesaid.

SEC. 5. Where a bank has furnished the Secretary of the Treasury with coin from its excess, in exchange for convertible notes, and the demands of trade shall make it necessary, he may authorize the substitution of the convertible notes for equal amount of its reserve fund, pending the preparatory measures for resumption.

SEC. 6. For the purpose of ascertaining the amount of the currency of the United States now existing, the Secretary of the Treasury will cause to be kept an accurate account of each denomination stamped and re-numbered, with such other precautions as may be necessary to prevent fraud.

SEC. 7. All laws heretofore passed, designed to give to the promissory notes of the United States the status of a legal tender, as likewise all laws making a discrimination in respect to customs duties, are hereby repealed, to take effect in the first case on the day of resumption, and in the second on the day next succeeding.

SEC. 8. The paper currency of the United States, including fractional currency, shall not exceed the sum of five hundred millions of dollars, without previous consent of two-thirds of the States, expressed by their legislatures. Nor shall there be any new issue beyond that heretofore authorized, to wit: the amount of four hundred mil-

lions, without a deposit of its quota in coin in the office of redemption.

SEC. 9. The Secretary of the Treasury shall withdraw from circulation, the fractional currency, substituting specie therefor in fractions of a dollar, whenever the resources of the Treasury and operations of the mint will permit, and as substitution takes place the currency called in shall be destroyed. This measure will follow the provision for the large denominations.

SEC. 10. The National Banks are hereby required to call in the circulation reserve, released by act of Congress, June, 1874, prior to July 1, 1878, and may use the same during the period between the 30th day of September in any one year, and July first of next year, this measure being designed to insure so far local aid in the movement of the crops.

SEC. 11. Such laws as are understood to require a certain part of the circulation reserve, not released by the act of June, 1874, to be kept by country banks, in the commercial cities, shall remain for the present in force, anything in this act to the contrary notwithstanding.

SEC. 12. The Redemption office and branches will receive on deposit any sums in coin that individuals or associations may be disposed to place therein, and shall be kept under the title of deposits, and re-paid on demand either in coin or convertible notes, at the option of the owners.

SEC. 13. If at any period there shall be an accumulation of paper currency in the treasury, and at the same time a deficiency of gold to meet the claims of creditors, the Secretary of the Treasury is authorized to use the privilege of conversion, in the same manner as individuals, but only for temporary purpose.

SEC. 14. If at any time Congress shall see fit to reduce the aggregate issue of notes, the special fund will be correspondingly reduced.

SEC. 15. Mutilated currency, or that which is unfit for circulation, may be exchanged at the sub-treasury, in the city of New York, or any of its branches, there cancelled and delivered with equal amount of unsigned notes to the local agents of the bank to which the notes belong, receiving in exchange good notes.

SEC. 16. No discrimination shall be made hereafter in bonds issued by the government, between gold and its representative, the promissory notes.

SEC. 17. The double standard being recognized in the constitution, the two species of coin, gold and silver, are hereby made interchangeable, whenever the supply of the species desired is in sufficient abundance.

Respectfully submitted,

B. H. WRIGHT.

31693

END OF
TITLE